



RE: Call for inputs on simplified modalities for demonstrating additionality of small scale renewable energy and energy efficiency project activities

Dear Members of the CDM Executive Board,

We are grateful to the Executive Board for inviting suggestions for establishment of simplified modalities for demonstrating additionality for small scale renewable energy and energy efficient project activities, and would like to submit our comment.

From a project participant's point of view, we very much welcome the Executive Board's effort to develop simplified modalities for additionality demonstration in order to foster smaller scale renewable energy and energy efficiency projects. It is our understanding that the purpose of establishing simplified modalities for demonstrating additionality for this specific size and type of project activities¹ is to promote micro-scale CDM project activities in these fields (i.e. renewable energy, energy efficiency), as well as to encourage smaller entities to take a more active role in the CDM community.

Currently, additionality for small-scale CDM project activities as defined under decision 1/CMP.2² is demonstrated as per the options provided under Attachment A to Appendix B of the simplified modalities and procedures for small-scale CDM project activities³. Project participants are asked to provide an explanation to show that the project activity would not have occurred anyway due to at least one of the following: (a) an investment barrier; (b) a technological barrier; (c) a barrier due to prevailing practice; or (d) other barriers, such as institutional, managerial or organizational etc.

Attachment A to Appendix B does not specify any order of preference or give weighting to the four barriers. In practice, however, many Designated Operational Entities (DOEs), in their interpretation of the guidelines, often require an investment analysis applying a benchmark or cost comparison analysis to be performed in addition to any other selected barriers. While it may be necessary to undertake a comprehensive financial analysis for demonstration of additionality for larger scale CDM project activities, in the case of the small scale projects in question we believe that this can be achieved without resorting to a financial analysis.

When establishing simplified modalities for demonstrating additionality for even smaller project activities than those already defined as small-scale CDM project activity, we believe it benefits both project participants and DOEs as well as the Executive Board to establish much simpler modalities that are not affected by the current practice in the CDM community. In order to foster the development of small scale renewable and energy efficiency projects, it is vital that specific guidelines are given as to what is considered sufficient to demonstrate additionality in the absence of an investment analysis. These guidelines should be drafted in very clear language so that both DOEs and project participants will have a clear understanding of exactly what is required.

¹ Projects up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours

² <http://unfccc.int/resource/docs/2006/cmp2/eng/10a01.pdf#page=3>

³ http://cdm.unfccc.int/Reference/Guidclarif/ssc/methSSC_guid05.pdf



The new simplified modalities should offer a set of options without priority order, and each option should require very little data gathering effort by project participants. We strongly recommend that the EB will take into consideration the introduction of:

1. A fast-track approach for small-scale CDM project activities.
2. A new rule that allows the option of using either the fast-track approach *or* the conventional means of demonstrating additionality (as per Attachment A to Appendix B of 4/CMP.1, Annex II). For small-scale CDM project activities opting to use the conventional means of demonstrating additionality, we would then like to recommend further simplifying the process.

Ideas for the fast-track approach and the simplified method are summarized in the table below:

	Renewable Energy (RE)	Energy Efficiency (EE)	Comment
1. Fast-track approach			
1) EB positive list	The technology is listed in a positive list.		If it is not in the positive list, the PP can submit a request for inclusion.
2) DNA's approval	Option a) the technology is listed in a shortlist of applicable renewable energy (technology) types recognized by the host country DNA as technology types with some implementation barriers	Option a) the technology is listed in a shortlist of applicable advanced technologies recognized by the host country DNA.	<u>Advantage:</u> - Fast-track method - Reflects country-specific situations of the difficulties involved with a certain type of technology implementation <u>Disadvantage:</u> - PP needs to register the technology they apply, if it is not in the shortlist - Increase in the DNA's workload
	Option b) The technology is listed in a shortlist of renewable energy (technology) types that both regional and national governments of the host country promote as part of their policy.	Option b) The technology is listed in a shortlist of applicable advanced technologies that both regional and national governments of the host country promote as part of their policy.	The list can be prepared based on either the DNA's initiative and project participants' submission to a DNA



2. If Attachment A to Appendix B of 4/CMP.1 Annex II is used	
1) Investment barrier	<p>Option a) To demonstrate an “access to finance” barrier by providing written evidence from one local bank/other entity, who would normally not finance this kind of project without CDM, stating that it finances the project with CDM</p> <p>Option b) To demonstrate an “access to finance” barrier by providing written evidence from one local bank/other entity, who would normally not finance this kind of project without CDM, stating the requirement of a loan for the proposed project activity, after assessment of project participant’s financial situation and proof that one of the requirements cannot be fulfilled</p> <p>Option c) Any other methods to demonstrate an investment barrier</p>
2) Technology barrier	<p>Option a) Technology barrier as described in Attachment A to Appendix B</p> <p>Option b) Technology barriers as identified in the latest version of the “Tool for the demonstration and assessment of additionality”</p> <p>Option c) Any other methods to demonstrate a technology barrier</p>
3) Barrier due to prevailing practice	<p>Option a) To demonstrate that the technology is a fist-of-its-kind technology in the region/country</p> <p>Option b) Diffusion rate of the technology is marginal as confirmed by academic or industrial associations or reliable public research on the diffusion rate of the technology within the host country or region</p> <p>Option c) Evidence of public programs (either international or national) implemented or under operation to promote the development of or the diffusion of the technology used in the proposed project activities</p> <p>Option d) Any other methods to demonstrate a barrier due to prevailing practice</p>
4) Other barriers	Any other barriers that without the project activity would have led to higher emissions such as institutional barriers or limited information, managerial resources, organizational capacity, financial resources or capacity to absorb new technologies

We strongly believe that by providing simpler pathways with requirements for additionality demonstration clearly outlined, many smaller scale projects which are currently held up due to difficulty in justifying additionality, will be able to move ahead and proceed with CDM. Thank you for your consideration.

Sincerely yours,

Hajime Watanabe
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